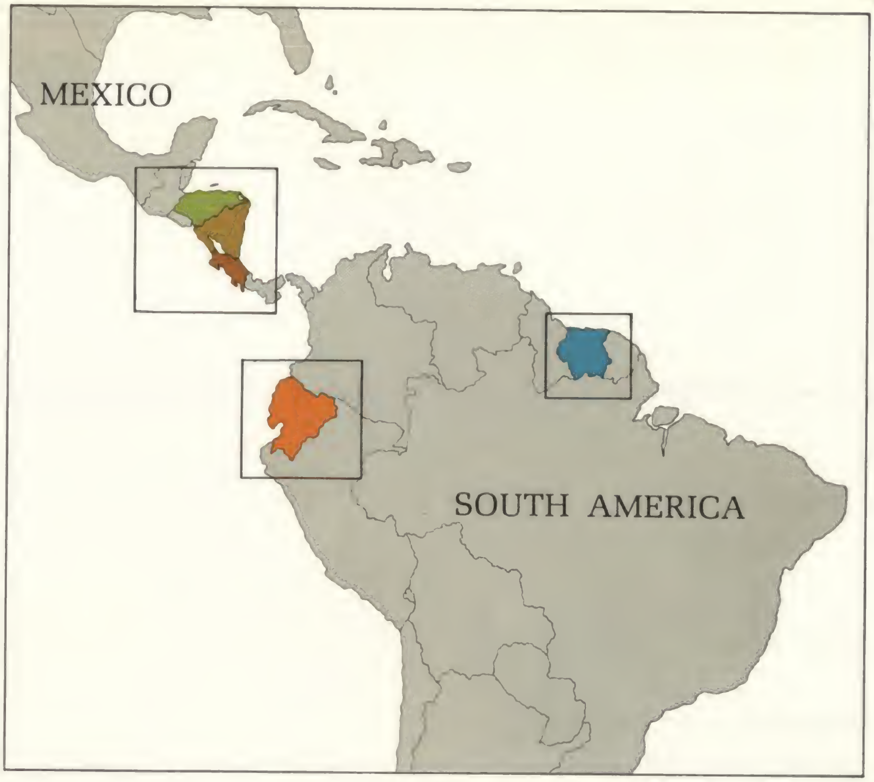
Castle & Cooke, Inc. Annual Report for the year ended March 31, 1970



THE COVER:
Scenes from Latin American countries where Castle & Cooke has business interests. The region is portrayed in a photo-essay, beginning on page 4. Standard Fruit's Cabana bananas are grown—or will be—in Honduras, Nicaragua, Costa Rica and Ecuador. Bumble Bee's Royal Dutch shrimp operation is located in Surinam.

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YEAR IN BRIEF

	March 31		Percent
OPERATIONS FOR THE YEAR:	1970	1969*	change
Total revenues	$503,000,000	$449,903,000	12%
Income applicable to minority interests	2,292,000	1,397,000	64
Income before extraordinary items	20,368,000	15,034,000	35
Extraordinary gains (losses)	(2,743,000)	3,533,000	—
Net income	17,625,000	18,567,000	(5)
Earnings per common share:			
Income before extraordinary items	1.96	1.49	32
Extraordinary gains (losses)	(.26)	.35	—
Net income	1.70	1.84	(8)
Earnings per common share—assuming full dilution:			
Income before extraordinary items	1.89	1.48	28
Extraordinary gains (losses)	(.25)	.35	—
Net income	1.64	1.83	(10)
Cash dividends	6,254,000	5,455,000	15
Per share	.60	.57½	4
AT YEAR END:			
Working capital	$ 74,988,000	$ 67,406,000	11
Total assets	447,362,000	416,863,000	7
Long-term debt	116,402,000	111,517,000	4
Stockholders' equity	189,214,000	174,363,000	9
Per share	18.23	17.27	6
Number of common shares outstanding	10,482,197	10,187,913	3
Number of stockholders	18,364	16,578	11

**Adjusted for a pooling of interests.*

LETTER TO STOCKHOLDERS

The 1969-70 fiscal year was the best in Castle & Cooke's history when measured by revenues and earnings from operations. Earnings before extraordinary items increased 35% over those of the prior year. Consolidated revenues exceeded one-half billion dollars for the first time.

Consolidated income before extraordinary charges for the year ended March 31, 1970, was $20,368,000, or $1.96 per share of common stock. Income in the prior year was $15,034,000, or $1.49 per share (restated).

Extraordinary charges were $2,743,000, or 26c per share. In the prior fiscal year there were extraordinary gains of $3,533,000, or 35c per share.

Net income after these charges was $17,625,000, or $1.70 a share. This compares with $18,567,000, or $1.84 a share (restated), for the previous year.

Consolidated revenues for the 1969-70 year were $503,000,000, compared with $449,903,000 the year before.

Unforeseen events occurred in the last half of the fiscal year which resulted in the non-recurring charges. One was devaluation of the Philippine peso. The effect on Castle & Cooke was a reduction in our equity in our Philippine subsidiaries when translated into U.S. dollars. Another was the Federal government's edict on the use of cyclamates in food products, including a small line packed by Dole. Cyclamate-containing inventories expected to become unmarketable have been written off. A third item was a loss resulting from the sale of the operating assets of Ewa Sugar Company to Amfac, Inc., of Honolulu.

These and other financial matters are explained more fully in the financial section of this report, beginning on Page 35.

● Standard Fruit and Steamship Company reported a record year for both earnings and sales. Banana marketing conditions were generally good throughout the year. The January-March, 1970 quarter was excellent and far exceeded expectations. This, combined with Standard's increased production and operating efficiency, produced the record. It is a tribute to Standard and its people that these results were attained despite hurricane and other severe weather problems in Central America and the Gulf Coast, and the after-effects of a longshore strike in Atlantic and Gulf ports during the early weeks of 1969.

● Dole's earnings improved, but were still below what is considered appropriate. Unfavorable agricultural conditions in Hawaii and the Philippines reduced pineapple yields. Dole made continuing marketing progress, due largely to the success of its pineapple packed in natural juice which achieved nationwide distribution during the year. Dolefil, the Philippine pineapple operation, made additional progress and showed a modest profit for the first time.

- Bumble Bee Seafoods again set new earnings and sales records. Consumer demand continued strong for its premium quality canned seafoods and pet foods. Bumble Bee expanded into a new and promising product line through acquisition of a fresh frozen shrimp operation in South America.

- Operations of all three Hawaiian sugar plantation companies were adversely affected by the 35-day industry strike in Hawaii and the increased cost of the subsequent contract settlement. This, coupled with intense price competition from beet sugar in the 11 Western states, reduced earnings of the three companies below those of the prior year.

- Royal Hawaiian Macadamia Nut Company reported a substantial increase in sales, although the amount still remains modest compared with other Castle & Cooke food operations. For the first time, sufficient inventory of processed nuts was available to assure a continuity of supply to customers throughout the year.

- As stockholders know, 1969-70 was a year of extreme difficulty in money supply and interest rates. This situation was the prime factor affecting Oceanic Properties, Inc., the land development and management subsidiary, and of Barclay Hollander Curci, Inc., the Los Angeles-based home construction subsidiary. B-H-C was profitable, though earnings were below projections earlier in the year. Despite its problems, Oceanic reported a smaller loss than a year ago.

- Ames Mercantile Company, Inc., had a substantial increase in earnings.

On January 1, 1970, Donald J. Kirchhoff, President of Standard Fruit and Steamship Company, became Executive Vice President of Castle & Cooke in charge of all food operations except sugar. Henry B. Clark Jr., Vice President and Treasurer, was named Executive Vice President in charge of a group including sugar, land development, transportation, Hawaiian Equipment Company and Southeast Asia operations, in addition to his continuing treasurer's responsibilities.

Stanley Rosch, Vice President and Controller, became Senior Vice President in charge of the Controller's division, Ames Mercantile, computer service operations and purchasing. John F. Murphy was elected Senior Vice President in charge of corporate development, industrial relations, public relations, corporate secretary's functions and the PLAN division.

We believe the uptrend of Castle & Cooke's earnings and revenues will continue in 1970-71. The men and women of Castle & Cooke who have made this progress possible have again earned the gratitude and continuing confidence of us all.

Malcolm MacNaughton
PRESIDENT AND CHIEF EXECUTIVE OFFICER

A. G. Budge
CHAIRMAN OF THE BOARD

Honolulu, Hawaii
April 27, 1970

LANDS TO KNOW BETTER

For more than a century, Castle & Cooke was a company whose business was confined largely to the Hawaiian Islands. Then, more than a decade ago, the corporate eye began roaming. Castle & Cooke started buying Mainland businesses.

The acquisition of Standard Fruit and Steamship Company of New Orleans, the nation's second largest banana importing firm, has proved a prudent purchase, indeed. Today this fast-growing subsidiary is the largest single contributor to Castle & Cooke's profits.

Standard Fruit and Steamship Company supplied 36% of all bananas consumed in North America in 1969 and is expanding sales in Europe (10%) and Japan (6%). Almost all of this fruit comes from Latin America where three countries—Honduras, Costa Rica and Ecuador—this year will grow an estimated 2.4 billion pounds of bananas for Standard customers. The company is also planning a new division in Nicaragua.

Standard grows Cabana bananas on 27,000 acres of its own land but, more and more, it is purchasing fruit from independent growers whose farms total 23,000 acres. In Ecuador the independent farmer furnishes all our bananas; in Nicaragua the pattern will be the same; and in Honduras and Costa Rica the independent producer grows increasingly important in our operations.

The Latin American nations where Standard Fruit does business are lands of great beauty, great history, great people, great problems and great potential. They are countries that should be better known to North Americans.

In the hope that we may stimulate interest in this region among stockholders and others, we have added to this Annual Report a special picture essay about the four Latin countries where Cabana bananas are grown . . . or are about to be. A brief visit is also made to Surinam where Bumble Bee Seafoods, has a new shrimp operation.

Let it be granted that no "in depth" study can be accomplished in 24 pages. Yet we believe that a combination of text and photograph *can* make a contribution—albeit small—to a better understanding of the Latin American lands where Castle & Cooke does business.

That is the purpose of these pages.

Photographs by Ernest Braun

n American Countries Where They Grow

LANDS OF GREAT BEAUTY

Fantastico is the Spanish word that describes the scenery of Latin America. Jagged jade mountains taper to the Atlantic and Pacific shores. Rivers twist in agony through canyons far below. Lakes shimmer in the sunlight, spreading at the feet of tall volcanoes that still spew, spasmodically, their fury on the countryside. In Ecuador the Andes stand silently in ice caps.

The Caribbean beaches of Honduras are of the whitest sand, strewn with a myriad of soft-tinted shells. In the distance gapes a cave where pirates hid their stolen doubloons.

Brilliant butterflies sweep frequently to the water's edge, then dart away to rest on a scarlet hibiscus or yellow croton. At night fireflies flicker.

Palms sprout from the jungles that tangle over mountains. Visible also are lonely, thatched huts.

In coastal areas the climate is tropical but in higher elevations temperate days prevail. The capitals of Honduras, Costa Rica and Ecuador are all located at high elevations. Quito, capital of Ecuador, sits at a cool 9,200 feet, but Managua, capital of Nicaragua, rests practically at sea level.

Tropical rains are seasonal in countries that hover near the equator and when they are at their best (or worst, according to one's point of view) they are torrential. These are the rains that keep the savannas and the mountain jungles green for months to come. Even the fenceposts are known to take root and sprout into flowering trees as the wet season tapers.

A pack on the back is a frequent sight in Latin America. Lush fields stretch in background near Quito, Ecuador.

A pink shell, a green lizard, a brilliant tropical flower on the island of Roatan. In Costa Rica, lupine on a foggy mountain.

Momotombo, one of Nicaragua's many volcanoes. The 4,126-foot peak's last eruption was in 1952.

The highlands of Costa Rica are "Sound of Music" country. Hand-painted bullock carts are still used by some farmers.

There is the color of Nature and the color created by man. A church dome in Granada, Nicaragua, looks almost like a stage set.

Open air markets, a blaze of every color, are found in every town. This one is in Leon, the university city of Nicaragua.

Color in clothing also adds to the visual pleasures of Latin America. A sidewalk scene in Quito, capital of Ecuador.

There is beauty in rooftops and winding streets. This hillside lane looks to the heart of Tegucigalpa.

LANDS OF GREAT HISTORY

Central America's Mayan civilization was one of the world's most remarkable and the ruins of Copán, in western Honduras, today provide outstanding evidence of a life style that has fascinated archeologists for centuries.

From 300 to 900 A.D., the Mayan people were at their height of creativity, executing great temples, art and sculpture that rival the finest of other civilizations of that period.

The Mayan, likewise, was a mathematician and an astronomer of remarkable perception and nowhere were these accomplishments mastered with greater distinction than at Copán.

A close-up of the stairway. Stone figure in the foreground is intricately carved.

The ruins of Copán. This once was a central part of the city. The stairs lead to an acropolis. They're carved with hieroglyphics.

The cities constructed by the Mayas were probably not cities in the sense that we think of them. People probably didn't live in them—at least in any great number. The cities were more likely religious centers where the populace assembled to pay tribute to its gods.

Many of the temples took the form of pyramids, a fact that has intrigued some scholars that these pre-Columbian Indians came not originally from Asia (as is commonly believed) but rather from Egypt or the Middle East. It is an argument that overlooks the fact that ancient Asian temples, notably Ankor Wat, also often featured sloping sides with stairways to the skies.

The religion that developed during the Mayan civilization related to the growing of maize, the corn that was basic in every diet. Good crops depended on adequate rain and sunshine, so it was logical that gods of rain and sun and wind and earth came to be. As weather patterns were calculated, the Maya developed his concept of a calendar and, with a growing awareness of the positions of the moon and sun and stars during the year, he established a hypothesis of astronomy.

Then, for reasons not clear, this complex civilization vanished, embraced by the jungle. There are theories that it was wiped out by war or disease or that the surrounding land was no longer fertile. A prevalent belief suggests that the masses turned against the priesthood and did away with an elite that had grown too sophisticated for the common man.

Today the Mayan's descendents still tend their maize in the very valley where the great Copán rose centuries ago. A simple people, they evince little interest in their gifted ancestors, several of whom are on display in a nearby archeological museum. The skulls of these mighty Mayas show teeth inlaid with jade.

(Above) This is a stele, an upright stone slab, richly carved by the Maya artisans. Such pillars are found throughout the 75 acres of the old city. (Below) A dark forest provides a somber mood.

LANDS OF GREAT PEOPLE

In population makeup, many of the countries of Central and South America have a great deal in common with Castle & Cooke's home state, Hawaii. They are noted for the diversity of their races.

The Indians, like the Hawaiians, pioneered their lands only to see people from other countries move in—and take over.

Today the Indian segment of Honduras (pop. 2,284,000) and Nicaragua (pop. 1,536,000) is no more than 20%. About 5% is Caucasian. The vast majority is mestizo, people of mixed blood.

Costa Rica, with a population of 1,150,000, is almost entirely Caucasian. The Indians and Negroes who live there constitute about 3% of the population. Ecuador (pop. 5,500,000) is 40% Indian, 10% Caucasian (mostly Spanish), 10% Negro and the rest mestizo.

Spanish is the official language, remnant of the years when Spain imposed its might, but Indian dialects are also spoken.

Life is primitive for large numbers of these people. Many have had little or no formal education. A Catholic church, prominently situated on every town square, provides religion which the Indians sometimes fortify with pagan rites and beliefs, their legacy from Mayan days.

Handsome new homes are seen on the outskirts of all the principal cities, testifying to an improvement in living standards. Polished young businessmen are emerging. Artists and architects are adding contemporary designs to the ancient scene and educators widen their influence.

Jossie Salinas, 22, works in a tiny studio in Managua where she paints to the heavy beat of rock music. Former President Lyndon Johnson owns one of her paintings.

Antonio Del Campo, 28, lives in Guayaquil, Ecuador. He says Guayaquil is more interested in commerce than in oil paintings.

Arturo López Rodenzo, director of artistic education in Honduras. His work in baked enamel is widely known in Latin America.

Jorge and Maria Lines are a distinguished husband-wife teaching team at the University of Costa Rica. He's researching a book about love and prostitution among the aborigines.

People in Latin America are extremely adept in carrying things on their heads. This is common sight on any street.

This is a local constable on the island of Roatan, Honduras. Crime's no real problem.

A family strolls in Tegucigalpa, capital of Honduras. His hat is locally made.

Manuel Rodó, director of Costa Rica's famous National Theater. Completed in 1897, it's a "small jewel" among the world's opera houses.

Victor Artiles, head of Central American Labor Federation and secretary of Honduran Confederation of Labor, plays key role in labor-management affairs.

Roberto Ramirez, president of Banco Central in Tegucigalpa since it was founded in 1950. He has a lot to say in setting the fiscal policy of Honduras.

Dr. Mariano Argüello, dean of Nicaragua's barristers, died in April. Until the end, he maintained a lively interest in the affairs of politics.

Yet the picturesque qualities for which these nations have long been famous persist. Thousands continue to live the uncomplicated lives of their ancestors. These men and women are great not in terms of worldly accomplishments but in terms of simple inner strength.

Almost all North Americans who write of Latin America mention poverty—and exist it does. It exists in North America, too, but on a lesser scale. In flying over the countries of Latin America, one notes the isolation of many farmers and cannot help but wonder about the spartan lives they lead.

In Honduras hundreds of these small houses stand on lonely hills. Local people call them manaca shacks, a name derived from a palm that provides thatch for the steep roofs. The inhabitants are Indians and their lives, indeed, are materially meager. They probably own a cow and chickens and work a vegetable patch that produces corn and beans. Hunting in the surrounding woods provides meat.

A social worker would call these people "underprivileged" but others, noting the increasing problems of the world's cities, might proclaim them practitioners of the good and simple life.

"They are remarkably healthy," says Dr. Enrique Ortez Pinel, secretary of the pharmaceutical college of Honduras. "These country people don't have heart trouble . . . they don't have arthritis . . . they have almost none of the ills that modern man suffers. The sun and the fresh air . . . the natural way of life . . . these seem to be the medicine that keeps them well."

Only occasionally do these hill people go to the cities. When they need cloth for their clothing or new cooking utensils or some household refinement, they go to the rivers and pan for gold. The gold dust is taken to the city to be exchanged for money which is quickly exchanged for the material things.

Then back to the manaca shack. No tv. No traffic. No Peter Fonda on a Honda.

RIO FRIO

It's called Rio Frio and it spreads, like a bright green carpet, in a jungle waste of Costa Rica. By air it is only 15 minutes from the capital, San Jose. By rail or road it is a winding six-hour journey.

Two years ago this warm, rainy land was possessed by the monkeys and parrots. Now it is the newest in a chain of banana farms operated by Standard in the countries of Central America.

The efforts of 1,500 people have already produced 540,000 forty-pound boxes of bananas. Eventually 9,000 acres will be in cultivation, twice the present acreage.

For 21 months the whine of the power saw has sliced the silence of Rio Frio as giant trees tumbled to make way for bananas. An engineering staff of 500, in addition to removing a thicket, has had the job of building 60 miles of farm roads, housing for 1,000 agricultural workers and their families, machine shops, bridges, recreation halls, medical facilities, schools, two lumber mills and the processing plants required for the boxing of bananas.

As the clearing progressed, hundreds of men came onto the scene to plant the seeds that 10 months later would be fullgrown plants, complete with fruit. Occasionally encountered were coral snakes, boa constrictors and the artifacts of a pre-Columbian civilization.

Although rain gauges measure an average 150 inches a year at Rio Frio, the region is surprisingly free of mosquitoes and malaria is no problem.

As if getting a new division into operation didn't hold enough problems, Nature seemed to delight in complicating the situation in recent months. Twenty inches of rain fell on the area in one week last November and the adjacent river, the Rio Chirripio, was soon gorged with muddy water. A new railroad bridge that linked the farm with its shipping facilities in Puerto Limon was ripped out—repaired—and damaged three more times by storms that followed. As of press time, the bridge was out again due to new April floods.

During this harried time, bananas were trucked to San Jose for trans-shipment, were carried across the Chirripio by aerial cable, and even moved by helicopter.

Fighting the elements is routine life for people in the banana business. Hurricane blow-downs and pestilence, notably Panama disease, (a plant fungus) and Sigatoka (a leaf blight) long plagued the industry.

The spread of Panama disease in the 1940s prompted Standard's research staff to intensify its search for a banana that could resist the scourge. The variety finally chosen was the Giant Cavendish. Not only was it immune to Panama disease; its shorter plant made it less vulnerable to wind damage.

So began the laborious program of change-over from the long established Gros Michel to the Giant Cavendish. Other U.S. banana importing companies have since followed suit.

Competitors also followed Standard's lead in a new method of marketing bananas.

Standard developed a program for boxing bananas on the farm. For more than 60 years bananas were transported only in stem form, a method that resulted in extensive bruising of the fruit. In 1959, after years of experimentation, Standard began boxing bananas for overseas shipments. This development revolutionized the banana industry and today virtually all bananas from all production sources are carried to worldwide markets in boxes.

Standard Fruit had its beginnings at the turn of the century when three New Orleans brothers—Joseph, Felix and Lucca Vaccaro—and their brother-in-law, Salvador D'Antoni, started importing bananas as Vaccaro Brothers & Company.

They retained that name until 1926 when the company became Standard Fruit & Steamship Corporation and stock was sold to the public. Although the word "steamship" is still part of the company's name, all bananas are now transported in modern, fast diesel-powered motor ships.

The company's oldest Latin American division is located in Honduras, with headquarters in La Ceiba on the Caribbean coast. Costa Rica headquarters are in Puerto Limon, also on the Caribbean, where, in addition to Rio Frio, the production of the Estrella Valley plantation is supervised. Independent growers also sell to Standard in both Honduras and Costa Rica.

Less than two years ago this was solid jungle. Brightly-painted workers' homes now interrupt the vast green of banana plantings.

The establishment of a Nicaragua division marks a return to that country. Standard grew bananas there in the late '20s and early '30s on the Caribbean coast. This time the producing farms, operated by independent growers, will be located in the fertile Chinandega area on the West Coast.

Ecuador provides 30% of Standard's bananas and these are grown by independents. All such growers receive technical assistance from Standard.

Today Standard's investment in Latin American countries totals $63,113,000 and its employes number 11,400. When in full operation, Rio Frio will represent an investment of $11 million. Already its agricultural workers have earned $1 million in wages.

IN THE PATTERN

In the development of Rio Frio, Standard Fruit performs in the tradition of other Castle & Cooke companies: Making something out of nothing.

Jim Dole, in the 1920s, made a "Pineapple Island" out of a cactus-covered rock called Lanai. In the late '40s A. G. Budge, then C&C's president, and his associates replaced a lava jungle near Hilo with a macadamia nut orchard, now the world's largest.

RIO FRIO STORY

1 *Power saw on shoulder, this man is off to work cutting trees that will be replaced with Cabana bananas.*

2 *A banana plant is already growing at right, alongside a giant tree. Lumber mills make good use of these big logs.*

5 *A stem of bananas starts with a bud, mauve in color. "Fingers" seen at top will eventually become the fruit.*

6 *Caliper, used for measuring thickness of fruit, signals the correct time for removing bananas from the plant.*

7 *A machete is about to sever the stem from the plant. It will fall onto a pad on the shoulder of man at left.*

9 *A thin knife quickly cuts hands of bananas from stems. They are then promptly given a cooling bath.*

10 *Out of the bath and into packing trays. Bananas will receive a close inspection for quality.*

11 *Now the red and gold Cabana label is applied. There are 30 labels in a box of bananas.*

3 *These young men are cleaning rhizomes, the "seeds" used to start new plants. The rootstocks are also sanitized.*

4 *Planting the seed. It comes from base of a fully grown plant. Each seed must have at least one eye or sprout.*

8 *Plastic shroud has protected fruit from insects and dirt. Cable line carries bananas to packing shed.*

12 *She knows how to get a perfect fit in a box. She also checks on the correct weight in each container.*

13 *Again plastic is used to protect the fruit. Holes in cartons mean proper ventilation in transit.*

Boxes, labels and polyethylene film used by Honduras and Costa Rica farms are supplied by Standard's big plant in La Ceiba. Three million pounds of resin (above) are used yearly for film.

Plant superintendent checks long web of polyethylene film in La Ceiba extruder plant.

Cabana labels are printed in rolls. Honduras and Costa Rica bananas will use approximately 1.2 billion stickers in 1970.

Laboratory technicians keep a close eye on a banana plant's health. Here Sonia de Marson injects hormones at La Ceiba test plot.

Standard Fruit officials talk with Ecuador growers at a sidewalk cafe in Machala. Ecuador is world's largest banana producer.

James Healy Photo

In Costa Rica and Honduras boxes of bananas are loaded on refrigerated vessels by conveyor belts.

In Ecuador ports, bananas are carried onto ships— two boxes at a time—by men. Hours are long, the pay good.

Loading offshore at Puerto Bolivar, near Machala, a city of 65,000 that was exit point for 10 million boxes of bananas in 1968. This year around 35 million will be exported.

LANDS OF GREAT PROBLEMS

A few years ago a leading New York publishing house printed a book about Central America. Out of 10 chapters, eight had headings that suggested major problems—past and present—that have plagued these countries of Latin America.

The chapter titles, *Nations Escaping the Past, The Spanish Conquest, Early Unity and a Century of Disorder, The Involvement of the U.S., The Landless Poor, The Great Families, Democrats and Dictators,* and *Treating Economic Instability,* do delineate, in super capsule form, the troubles these lands have known.

After discussing these subjects in 159 pages, the author, Harold Lavine, concluded that Central America's "outlook is not all bright; it is not all black. Nevertheless, the reasons for hope outweigh the reasons for pessimism."

Surely the problems of the four countries under discussion in this essay are manifold. Literacy is high in Costa Rica but low in the other countries, thereby providing an extremely difficult communication problem.

And, until large segments of people have more spending money, they will provide a minimum market for many of the products that new industry is now turning out.

Better prices for cotton, coffee and cacao (yes, and bananas, too) . . . better education facilities . . . better medical care . . . better housing . . . better roads . . . better nourishment—these are only a few of the long lists of needs that all countries can compose.

The hope that these problems can be alleviated are pinned chiefly on the younger, better educated generation whose members are coming into positions of influence—the emerging middle class.

One who puts faith in this new class is W. H. Bolin, a senior vice president of the Bank of America, who spoke before a Castle & Cooke management meeting in Costa Rica last autumn.

"The old social structure is giving way to another one—a middle class structure that encompasses the whole income spectrum from a newly prosperous manufacturer to a low-paid university professor," said Mr. Bolin.

"It is the middle class in new positions of day-to-day authority who call the tune today in the economic affairs of Latin America. Their practical influence far exceeds their still small numbers and collective wealth."

The banker predicted that this new structure, in the long run, will mean more stable societies in these nations. But not for the present. "In the short run," he predicted, "it means problems because, while there was considerable consistency in the attitudes of the old static society, the new middle class displays all the shades of political and social philosophy that are characteristic of such classes anywhere."

How will U.S. businessmen, so long involved in the economy of Latin America, fit into the picture of the 1970s? Said Bolin, a man long familiar with Central American conditions:

"It has seemed to some that a kind of growing paranoia is taking hold of old and good friends in our hemisphere. If one must use the jargon of psychiatry, perhaps schizophrenia would be closer to the mark. We have trouble understanding what our Latin friends want, in large measure, because they do not seem to be sure themselves—as people, as nations or as a region. On nearly every critical point affecting foreign business there is a conflict within the thinking of both the private and public sectors."

Mr. Bolin gave an example of what he meant: The Latins want U.S. money as an aid to monetary stability and then they turn around and fret about

A lonely manaca shack in Honduras. Such isolation means problems in communications.

An example of old/new in Quito, Ecuador. Contemporary city dress at right in juxtaposition to a rural costume.

the rising outflow of dividends. But, he said, today's problems shouldn't be blamed entirely on the Latins. The U.S. can be pretty inconsistent, too. "It's hard to explain in Costa Rica why U.S. agencies have worked so hard to help develop a beef industry, only to have another U.S. agency threaten quotas when those efforts were successful."

Mr. Bolin pointed out that this was only one of dozens of inconsistencies the U.S. has displayed in fiscal, trade and other matters. He predicted that a great deal more soul searching and policy hammering must take place before favorable solutions are reached.

"Whatever the outcome, the events of the past year have given important signals to investors. The number one signal is green. We are still wanted. But our investments in Latin America will have to provide more benefits for the Latins in the deal.

"I have no doubt that U.S. private investments will continue to play an important role in Latin America's development . . . However, Latin Americans are not ready to accept all investment—not even all sound, constructive investment—at face value.

"If now they can define more clearly the role they see for U.S. private capital and we can clarify what we are able and willing to do in both the public and private sectors, we may begin to replace frustration and irritation with constructive action. Right now is the time for everyone to try harder than ever."

And how do Central Americans feel

Costa Rica's population is highly literate. Favorite game here—and throughout Latin America—is soccer.

New architecture alongside the old in Tegucigalpa. The president of Honduras lives in palace seen at left.

about their relationships with North Americans? The opinions are varied, indeed, as suggested by Banker Bolin. But one thought crops up in almost all conversations. Typical are the remarks of Señor Jorge A. Lines, a history professor at the University of Costa Rica. Says he:

"U.S. companies should be very, very—well, 'pleasant' is a good word. They should be pleasant with the people. We're all human and we like people who are considerate of us and our feelings. U.S. companies shouldn't be in our countries simply to make all the money they can. They should leave money within the countries where they are operating. They should contribute in the field of education and in medicine and other areas. They should help make conditions of living better in general."

* * *

Standard Fruit & Steamship Company tries to be the kind of company described by Señor Lines. Certainly it leaves money within the countries where it operates. The current capital investment budget is $17 million. Independent growers will receive $27 million in 1970. Those employed on its own plantations will be paid $9.5 million in wages and salaries and another $19.5 million will be distributed for purchases and services within the communities where the company operates. Taxes, duties, etc., collected will total $8,176,000.

The minimum and average wages paid by Standard today are the highest in the area in which the company operates, and fringe benefits run between 30 and 40% of its payrolls.

In addition to these economic contributions, Standard has a record of assistance in education and medical care.

Recently the company donated land for the new University of Honduras agricultural college near La Ceiba and the company's technical staff will serve as advisors to the teaching staff.

Education and medical care were both involved with the establishment of the Instituto Maria Regina 11 years ago in La Ceiba. Today the principal of the institute is Sister Myrna, a native of British Honduras and a dedicated woman who speaks softly, almost shyly. Sister Myrna and her associates and predecessors have built an excellent school, notable for the nurses it provides for the D'Antoni Hospital that serves La Ceiba and environs.

Sister Myrna and students at the Instituto Maria Regina. Sisters supervise nursing school at the D'Antoni hospital in La Ceiba.

In 1959, Dr. Joseph S. D'Antoni, Standard's present board chairman, was discouraged by the lack of trained nurses to serve the 160-bed hospital his father, Salvador, founded. Dr. D'Antoni approached the Sisters of Mercy in Providence, R.I. to invite assistance in establishing a school in Honduras. He had observed the order's good work in New Orleans.

Sister Agnes, now retired, was the driving force that took a big house, originally built for a Standard manager, and converted it into a school. Today two wings have been added and 24 lay teachers have joined the sisters in dispensing knowledge to 60 in a kindergarten; 280 in primary grades, and a like number in high school.

And the hospital has long since had its full complement of starched nurses, graduates of the nursing institute at the hospital. Throughout the growth of the school, Standard has provided both financial and moral support.

Obviously, a well staffed hospital that keeps its employes in good health is in the company's interest. But Standard, long before it made a gift of the hospital to the government, shared its medical care with the entire community, not just employes.

Medical care has been there for the asking. And if people didn't ask for it, Standard often took good health to the people. Years ago the company mounted a dispensary on a railroad car or on a truck bed and went to the hinterlands to dispense preventive medicines for polio, malaria, diphtheria and tuberculosis. Today there are almost no incidents of these diseases.

The D'Antoni hospital is open to all. So is the school operated by the Sisters of Mercy if a candidate can pass the entrance exam. Although Honduras is strongly Catholic, the school has 30 of other denominations.

Among them is a member of the Jehovah's Witnesses who regularly—and vociferously—urges more evangelistic fervor than the sisters are inclined to dispense at chapel services.

Sparks fly as welder works on new agricultural college near La Ceiba. Eventually 1,000 Honduran students will specialize in farming here.

LANDS OF GREAT POTENTIAL

A broad highway is being constructed from the city of Managua to its airport and, on either side of the road, are fine new industrial plants, many of them bearing the names of U.S. and European companies. Others are of local ownership or joint ventures. Textiles Fabricato de Nicaragua S.A. (Fabritex) is a good example of a partnership plant.

It is a handsome $10 million factory, sparkling in green, white and black paint. When it is in full operation it will cover 250,000 square feet and employ 500 people, most of them young men who dexterously tend the Swiss and German-made machines that will produce 10 million yards of cloth a year. Most of it will be sold in Central America.

Before Fabritex was established, Nicaragua shipped its cotton to Japan and other countries for manufacture. Cotton is Nicaragua's biggest commodity and growers boast the second highest yield per acre of any country in the world, exceeded only by Israel.

Now, for the first time, cotton can be manufactured at the local level. Fabritex has provided new jobs and put new money in the community.

Industry has grown slowly in Central America, a principal reason being that none of the nations is sufficiently large in population or purchasing power to provide an adequate market. But, during the past decade, a common market plan has been developing, calling for the removal of tariffs that long discouraged trade between nations.

Put all these people together in a common market and you have the buying power of some 13 million people. That's a respectable market for new industries, although the vast majority of the population certainly has no money for luxuries. Yet there are simple products now coming into the daily lives of millions. Plastics, for instance. Plastic cups, pitchers, bowls and basins have added new color to the already colorful outdoor markets that spread their wares in every town.

In Guayaquil, Ecuador, a company called Productos Latinoamericanos S.A. is brightening thousands of homes with plastic draperies and tablecloths. "Productos" started making polyethylene shrouds for banana plants in 1958 and Standard Fruit was one of its early customers.

Nicaragua is a big cotton producer but, until recently, it shipped crop abroad for processing.

This $10 million plant in Managua now manufactures textiles from the cotton produced in the region.

Plastics have come into everybody's life. They add new brilliance to colorful markets.

Tourism has only been scratched. Above, sunset at Anthony's Cay, a hideaway on Roatan, Honduras.

Today the company manufactures dozens of different types of containers for packaging the products of Guayaquil. It produces plastic sewer pipes for the building trade and prints hundreds of thousands of tiny labels to be stuck on the millions of bananas grown in Ecuador, the world's largest producer.

And the machines will annually turn out more than a half million yards of material for those curtains and tablecloths. Their designs are varied and the hues cheerful and their presence in thousands of homes adds color—and sanitation—not previously enjoyed. These items sell for around 50c each, within the buying power of the masses.

"It doesn't make sense for a company to make products that the population can't afford," says Claus Riemann, the general manager.

* * *

Could the lands be more productive? Most observers opine that these nations

Mario Valenzuela designed the new Maya Hotel in Tegucigalpa. Its completion will fill a need long felt in the capital city.

Managua, too, has a new hotel, built for Intercontinental chain. Architect, Alfredo Osorio h., designed it in pyramid form.

have potentials not fully realized—or hardly attempted. Several countries have metals, timber and other natural resources that have not been put to maximum use. The lands themselves are not in fullest use, either. Many acres lie fallow. Could they support new crops?

Land frequently is not in use because it is so difficult to reach. Better road systems will make farming new lands easier yet the very opening of these lands brings new needs—housing, schools, medical facilities, etc.

The possibilities for tourist development are numerous. If you want to get away from it all—if you want to swim in clear blue waters, you can do it on the beaches of Central America.

For the history buff, Copán holds all the fascination of a Luxor or a Parthenon or an Ankor Wat, yet relatively few persons visit these impressive ruins.

New hotels are going up in many cities and they will attract North Americans who want modern comfort at the end of a day's travel. The Maya, a $2½ million hotel in Tegucigalpa, will fill a longtime need for good accommodations. A new Intercontinental hotel in Managua is built like a pyramid; Intercontinental also operates a handsome hotel in Quito, looking out to the vastness of the Andes.

Fundamental in any discussion of potential is the matter of education. Until it becomes available to a broad population, Latin America's fullest potential can never be realized. With education and a subsequent rise in the standard of living, great potentials seem possible.

And, recalling Banker Bolin's prediction, U.S. private investments will continue to play an important role in Latin America's coming development.

Hopefully, these businessmen will follow the advice of Costa Rica's Professor Lines: "U.S. companies should help make conditions of living better in Latin America."

The young faces of Latin America. A better education for them will result in higher standard of living for their homelands.

SURINAM SHRIMP

Castle & Cooke has other business interests in Latin America. A controlling interest in Surinam American Industries Ltd., a major shrimp processor located in the capital city of Paramaribo, was acquired a year ago by the company's Bumble Bee Seafoods division.

SAIL, the only shrimp processor in Surinam, exports individually quick frozen shrimp and frozen headless shrimp to the United States under the Royal Dutch label. Most of the pack goes to the East Coast.

Shrimp are delivered to SAIL's dock by a colorful fleet of 75 vessels owned by companies and individuals operating out of widespread home ports—e.g. Japan, Korea, Trinidad, and Tampa, Fla. The Surinam government itself operates two trawlers and there are a number of local independent shrimpers.

Their fishing grounds extend from Trinidad to the mouth of the Amazon. It is estimated that 4,000,000 pounds of shrimp will be packed under the Royal Dutch label this year, a 35% increase over 1969.

Surinam has a racially diverse population of 365,000 with about one-third living in Paramaribo. The country's principal exports are bauxite, bananas, lumber, rice, citrus, and shrimp.

Surinam, like Holland and the Netherlands Antilles, is an autonomous part of the Netherlands Kingdom. Surinam's parliament is elected by the people of Surinam and the executive powers rest with the council of ministers. The governor, a citizen of Surinam, is appointed by the Dutch queen. The Netherlands maintains armed forces in Surinam for defense purposes.

Surinam's official language is Dutch, but English is widely spoken.

Shrimp mingle with ice as big bucket lifts catch from the hold of a fishing vessel. SAIL provides ice for the shrimp fleet.

The bucket's contents are then emptied into a nearby hopper.

Women process headless shrimp as they move through the plant on metal conveyor belt.

Shrimp are here inserted in mechanism that will quickly remove the vein.

Shrimp are quick frozen in five-pound cartons. They're also frozen in plastic bags.

Shrimp nets are repaired while in port. SAIL warehouse stocks spare parts for the ships.

Fishermen are varied racially, their vessels coming from ports of the Pacific and Atlantic.

CASTLE & COOKE OPERATIONS

FOOD PRODUCTS

STANDARD FRUIT AND STEAMSHIP COMPANY

An excellent fourth quarter, far beyond expectations, contributed to another record of Standard's sales and earnings for fiscal 1969-70. The new highs were established despite a multitude of extraordinary events that included hurricanes, floods and labor disputes.

In Honduras, productivity on company farms during the year again exceeded all previous records. The increase in Cabana banana production was attributable to a number of recent innovations in farming practices and other procedures. Near-peak production is expected to continue, barring ever-possible natural disasters.

Expansion of the independent planter acreage under contract to Standard in the Sula Valley continued, although the increase in this acreage was not as great as had been expected. Hurricane "Francelia," which hit the western portion of Honduras in September, caused widespread flooding. Consequently, replanting of acreage was required and new plantings were delayed. Considering the intensity and duration of the hurricane, damage was minor and any setbacks should be overcome in the future. In the area near La Ceiba, independent planter expansion also progressed and some additional plantings are expected in the coming year.

Company and independent planter farms in Costa Rica suffered flood damage from an unusual November hurricane and from subsequent heavy rainstorms. The effects of this flooding are being felt into the new year.

Progress in the Rio Frio area, 70 miles northwest of the port city of Puerto Limon, has been encouraging. Of the 9,000 acres now planned for the new project, almost 5,000 acres have been planted. Cabana banana production in initial small quantities began the latter part of 1969 and will build rapidly. Planting is continuing and should be completed by the end of 1970.

The conversion of all of Standard's banana purchases in Ecuador from the traditional Gros Michel to the new Cavendish variety was completed during the past year. Since the Cavendish bananas are preferred in all major world markets, this conversion has placed the company's exports, as well as the entire Ecuador banana industry, in a more competitive quality position, even though the basic cost is still higher than that of Central American bananas.

Standard's technical personnel have worked with the local Ecuador growers in converting and improving agricultural techniques to upgrade the quality of the bananas exported. As a result, the Cabana label is now used on much of Standard's exports. These top quality bananas are competing favorably with Central American fruit of other importers in various markets where they are distributed.

Late in the fiscal year, Standard disclosed plans for a fourth banana operating area in Latin America. The plans call for development of 5,000 acres of banana production on the Pacific Coast of Nicaragua in Central America. Production is expected to begin in 1971-72. The new banana acreage will be developed entirely through the company's associate producer program of contracts with independent planters. The new development marks Standard's return to Nicaragua. In the 1920's and 1930's, the company produced bananas on the Caribbean side of that country.

Market penetration by Standard's Cabana bananas in the United States and Canada increased to 36% during the past year. Expanded field sales forces are working very closely with customers. Standard increased its imports into Pacific Coast markets and began twice weekly shipments to provide customers with improved processing and sales flexibility.

It is anticipated that increasing quantities of Royal Hawaiian fresh pineapples from Dole's plantations in Hawaii will be sold by Standard's marketing organization in the coming year. Market acceptance on the East coast of fresh Cabana pineapples from company plantings in Honduras has been excellent, and production will be increased as quickly as planting material becomes available.

In August, Hurricane "Camille" caused severe damage along the Mississippi Gulf coast, including the Gulfport, Miss., terminal used by Standard for banana discharges. Although operations were restored within three weeks, storm damage caused discharging and distribution problems.

In Northern Europe, Cabana bananas are imported and sold by the EUROBANA marketing group. Full weekly shiploads of bananas were inaugurated in 1968, were increased in the past year and will be further expanded in the coming year with the use of larger ships.

In Southern Europe, the COMAFRICA marketing group has also been successful in establishing a profitable distribution system for Cabana bananas. Full shiploads were begun in 1968, all of which are now Central American bananas. As new plantings, such as Rio Frio in Costa Rica, come into full production, the volume of exports to Southern Europe will increase.

Shipments of Philippine bananas from southern Mindanao to Japan, which began the latter part of 1968, expanded this past year, and substantial further expansion is planned. Achievement of full production is scheduled for 1973.

Standard's participation in the growing Japanese mar-

ket decreased somewhat in this past year due to a decline in the volume of shipments from Ecuador to C. Itoh & Co., Ltd., which also imports and markets the company's Philippine bananas. The company's market participation will increase as Standard's Philippine production grows.

As a result of the Castle & Cooke top management changes reported in the Letter to Stockholders, Robert H. Smith was elected President of Standard, succeeding Donald J. Kirchhoff, and Charles J. Waite was named Vice President in charge of Production. Harold L. Rolfes was elected Treasurer, succeeding Milton McQueen, who has retired.

DOLE COMPANY

Dole's share of the U.S. domestic pineapple market for both solid pack fruit and pineapple juice increased to 37%. Again it was the highest in recent company history.

This marketing gain was accomplished in spite of product shortages due to unfavorable agricultural conditions in both Hawaii and the Philippines. This reduced by approximately 10% total fruit available for canning.

Further, marketing gains were made despite intensifying competition, both in U.S. and overseas areas, from lower priced foreign pineapple.

Dole pineapple packed in its own juice is responsible for much of the upward thrust of the company's marketing success. During the year, national distribution of this product was completed and the first introduction was made in Europe.

Prices of solid pack pineapple products were firm and selective price increases were made. Pineapple juice prices were reasonably firm, although they are characteristically more volatile than those of solid pack fruit due to the changeable market for competitive juice products, notably frozen orange juice concentrate and various synthetic drinks.

The proposed acquisition by Dole of the Hawaiian pineapple production operations of Libby, McNeill & Libby, if approved by appropriate government agencies, will significantly increase Dole's supplies of pineapple. When combined with the growing production from the Philippines, this will give Dole a much stronger supply base for further marketing growth.

Dole is now operating the Libby plantation and cannery under a management contract pending governmental approvals. It is planned that the Libby cannery will be closed after the 1970 packing season and thereafter all former Libby fruit will be processed by the Dole plant.

Pineapple production in the Philippines by Dolefil increased to 185,000 tons during the year and is scheduled to reach about 250,000 tons three years hence when that operation reaches maturity. This venture continues to be a rewarding one.

The unexpected Federal edict on the use of cyclamates in foods affected Dole's line of low calorie canned fruits, which accounted for approximately 4% of total pack. Since the cyclamate regulation was announced just following completion of the 1969 packing season, Dole and other canners were caught with almost a full year's inventory on hand. In the ensuing confusion over which food products containing cyclamates could or could not be safely consumed, and pending new government regulations governing the use of the additive in foods, sales fell off drastically, with the result that Dole wrote off its inventory of these products expected to become unmarketable.

The Chemical division continues to offer Dole significant profit potential through the sale of the pineapple enzyme, bromelain. The enzyme is presently being used extensively in the medical field in Japan and Europe. A long term contract has been signed with the Dow Chemical Company to provide for raw material supply and technical assistance in the development of a product for the treatment of burns which is expected to reduce considerably the hospitalization time for burn victims.

Rowland Burnstan Jr. was elected Vice President and Director of International Operations and Edward I. Feigon was elected Vice President for New Product Development.

BUMBLE BEE SEAFOODS

Increased sales and earnings were achieved despite higher raw product and processing costs. These were due to a strong consumer demand for Bumble Bee's major products, canned tuna, salmon and pet food, and by the acquisition of a controlling interest in a frozen shrimp

processing plant in South America.

American and foreign tuna fishermen in the Atlantic Ocean continued to experience good fishing, so Bumble Bee's cannery at Cambridge, Md., had a record pack. Canned tuna production at the Astoria, Ore., and Honolulu canneries was less than that of the previous year as Pacific Coast deliveries of domestic albacore declined from their record levels of the previous two years and catches of skipjack tuna in Hawaiian waters were below normal. Purchases of foreign caught tuna to supplement domestic catches encountered increasing competition in the international market.

The 1969 pack of Bristol Bay red salmon in Alaska, as predicted, was substantially larger than that of 1968. The run of pink salmon in Central Alaska was better than forecast and exceeded that of the prior year. The Southeastern Alaska runs of pink and chum salmon, consistent with projections, were substantially smaller. Bumble Bee's cannery at Bellingham, Wash., had a good pack of sockeye salmon, and the 1969 Columbia River pack of fancy chinook salmon was encouraging to both processors and conservation agencies.

During the past year, Bumble Bee acquired a controlling interest in Surinam American Industries, Ltd., a major frozen shrimp processing operation in Surinam on the Northeast coast of South America, and 100% of its related companies. By terms of the purchase agreement, Bumble Bee will increase its ownership to almost 100 per cent within the next two years.

Enlargement of the Cambridge cannery was completed during the year, increasing the capacity of that plant by 50%. Additional improvements to this facility are in progress. The year also saw the addition of 1,000 tons of cold storage capacity for the Honolulu cannery, providing that operation with the ability to receive larger quantities of foreign caught tuna.

In September, 1969, Bumble Bee received delivery of a 165-foot tuna purse seine vessel with a frozen cargo capacity of 650 tons. By the end of the fiscal year she had completed three successful trips, delivering capacity loads of yellowfin and skipjack tuna to the Astoria cannery.

World market prices for raw albacore and light meat tunas increased to record levels during the year. These prices reflected a growing demand for tuna from other nations, particularly Japan and Western European countries, as well as from American processors. As a result, prices were raised on our canned tuna recently.

Bumble Bee's "Figaro" canned pet food line was further expanded and now consists of five items based upon fish or chicken, separately or in combination. This line will continue to be broadened and distribution expanded in both present and new marketing areas.

Agencies responsible for the management of the Alaska salmon fishery and those devoted to the research of this resource are forecasting large runs of salmon in all major producing areas during the 1970 season. Forecasts are based upon an expected record return of red salmon into Bristol Bay from an exceptionally large escapement of brood stock from the 1965 run, coincident with good cyclic pink salmon years for both the Kodiak and Southeastern areas.

If these runs develop as predicted the industry should experience its largest pack of canned salmon since 1941. Relatively good catches of sockeye salmon are forecast for Puget Sound in 1970, as is a normal run of chinook salmon in the Columbia River.

SUGAR

Sugar production in Hawaii declined from 1,232,000 tons in 1968 to 1,182,000 tons in 1969. Deliveries of mainland refined sugar by California and Hawaiian Sugar Company, the refining and marketing company owned by the Hawaiian sugar industry, also declined.

Earnings from refined sugar sales also decreased as beet sugar production reached a record high, exerting strong competitive pressures and depressing refined prices. Most of this increased production occurred in the 11 Western states, C and H's principal marketing area. Average return to Castle & Cooke's plantations was $145.19 per ton, compared with $148.20 in 1968.

In the California-Nevada-Arizona market, a price war erupted in the latter half of the year and is continuing into 1970. It was started by a discount pricing policy on private-label five and 10-pound units of granulated sugar by a beet sugar producer, the Spreckels Division of American Sugar Company.

In the spring of 1969 the Hawaiian plantation industry was hit by an ILWU strike which lasted 35 days. Agricultural effects of the strike varied from plantation to plantation, but the operating cost effects of the three-year strike settlement are uniformly severe.

Waialua Sugar Company had excellent production but the strike, coupled with the lower return from C and H, reduced earnings below the prior year. Exceptionally dry weather improved harvesting and mechanical field operations, but continuation of the drought into 1970 may have adverse effects which cannot yet be assessed.

H. J. W. Taylor, Vice President and Manager since 1958, retired early because of illness. W. W. Paty Jr. succeeded him, and he in turn was succeeded as Assistant Manager by John H. Hewetson.

  

Ewa Sugar Company was even more severely affected by the strike and drought than Waialua. Sugar lost is estimated at 2,200 tons in the past crop year. Earnings, consequently, were down from the prior year.

As reported in the Letter to Stockholders, the operating assets of Ewa were sold to Amfac, Inc., for $5,000,000, payable over a three-year period. Most Ewa production employes are being absorbed into Amfac's Oahu Sugar Company. Castle & Cooke is working to place the remaining employes elsewhere.

Kohala Sugar Company experienced agricultural problems necessitating much overtime harvesting and grinding. Taken together with the strike effects and the lower return from C and H, this caused Kohala to report a small loss for the year.

MACADAMIA NUTS

The Royal Hawaiian Macadamia Nut division had an excellent year. Sales were up 23%. Larger opening inventories insured better product continuity to customers, demand continued strong at improved prices, and better operating efficiencies reduced costs.

During the year Royal Hawaiian concluded a long term agreement with C. Brewer & Company, Ltd., to process and market macadamia production from Brewer's new orchards at Ka'u, about 50 miles from the Royal Hawaiian orchard and plant. Brewer has planted 1,250 acres which are now coming into bearing and has scheduled planting of another 1,000 acres over the next five years.

Early indications point to another excellent nut crop in 1970-71.

LAND DEVELOPMENT

OCEANIC PROPERTIES, INC.

Sales at The Sea Ranch, the country home development on the coast of Northern California, were satisfactory in light of the tight money conditions. The last six months showed substantial improvement over the first half of the fiscal year. Buyer response during the spring of 1970 suggests that good sales volume can be expected in the new year.

Considering the disorderly state of the mortgage market, the results at Mililani Town, the planned 3,500-acre community on Oahu, were also satisfactory. During the year 277 houses were sold. So that desired standards of good planning and public acceptance could be established at the outset of the Mililani Town project, the company was the community's sole home builder. The town's character is now sufficiently matured to permit a program of land sales to other builders on a selective basis. One such sale was completed before the end of the fiscal year.

In mid-1969 initial development began on the periphery of Oceanic's 11,500-acre property near San Jose, Calif. Known as Jackson Oaks, the estate lot program sold 100 units by the end of the 1969-70 fiscal year and sales volume is continuing to build.

Oceanic's Commercial Development division has joined with Kidder Peabody Realty Corporation and The Ford Foundation to plan a major hotel, office and commercial complex on the San Francisco waterfront immediately north of the Ferry Building. Known as Ferry Port Plaza, the project would occupy one of the outstanding development locations in the United States and would have a value in excess of $100,000,000 when completed. This proposed project is now moving through the first of several public approvals which will be required before construction can begin.

In Honolulu, the Commercial Development division is also managing construction of the Kapiolani Manor condominium project, the headquarters office building of Bishop Trust Company, Ltd. and developing a 104-condominium apartment project at Hawaii-Kai.

Memorial park operations in Hawaii and the Philippines reported continuing improvement in their operating results.

Major studies are nearing completion on development of other Castle & Cooke lands in Hawaii. It is expected that announcement of new projects will be made during the 1970-71 year.

Jack Palk, Vice President of Oceanic, in charge of the Land Department, resigned to enter private business. George Yim was elected Secretary of the subsidiary.

BARCLAY HOLLANDER CURCI, INC.

During 1969-70, Barclay Hollander Curci closed sales on 560 houses and condominium units in Southern California. At year end an additional 165 units were in escrow.

Brae Burn, the development of 1,300 homes and 36 holes of golf in the Santa Monica mountains of West Los Angeles, is in the final stages of processing through various municipal planning departments. Grading for initial units began in the spring of 1970.

A 50-acre site in Montebello, a close suburb of Los Angeles, was acquired. Final stages of land planning and architecture call for a five-acre commercial center and 1,100 apartment units. Final negotiations on financing of the initial phase of 300 units are nearing completion.

A new joint venture for development of mobile home parks was entered into with a subsidiary of Transamerica Corporation. Escrows were closed on eight parks, four of which are under construction. Eleven additional park sites are in the process of being acquired.

Dennis G. Harkavy was elected Vice President and Secretary of the company.

MERCHANDISING

AMES MERCANTILE COMPANY

The 1969-70 year was one of further expansion for Ames Mercantile Company. New U.S.E. full-line discount department stores were opened in South San Francisco and Millbrae, Calif., in the fall of 1969. This brings to five the number of U.S.E. units operating in the San Francisco area, and additional sites are under study.

New Value Giant junior discount stores were opened at Auburn, Tracy and Lodi, Calif., bringing to 10 the number of units in this group. During the new fiscal year the Value Giant in Livermore will be remodeled and expanded, and additional Value Giants will be opened in Corona, Indio, Ukiah and Arcata.

Ames continues to operate concession departments in discount stores in California, Oregon, Nevada, Washington and Hawaii. During the year five concessions were closed because of lease terminations and two new ones were opened.

Kevin McCready was elected Vice President and Treasurer.

HAWAIIAN EQUIPMENT COMPANY

Total sales of Hawaiian Equipment were the second best in the history of its operation, and earnings showed an increase over the prior year. The sales increases occurred primarily in trucks and repair parts, and the previously slow sales of construction equipment began recovering somewhat.

The Company has acquired a leasehold for the erection of a new branch building on Maui and new facilities in the Kona district of Hawaii are contemplated.

ARNESON PRODUCTS, INC.

On July 1, 1969, Castle & Cooke acquired Arneson Products, Inc., of San Rafael, Calif., manufacturer and merchandiser of an automatic swimming pool cleaning device, the "Pool Sweep." This was Castle & Cooke's initial entry into the rapidly growing industry of leisure time products.

Prior to acquisition, Arneson had sold approximately 30,000 units, primarily in Northern California. After joining Castle & Cooke, a major realignment was made in its distribution and marketing system to enable Arneson more effectively and profitably to enter new market areas across the nation.

MANUFACTURING

REPUBLIC GLASS CORPORATION

Earnings of Republic Glass Corporation of Manila, in which Castle & Cooke has a 61% interest, again increased and a new high was achieved in sales of window, rolled and plate glass.

RGC's new window glass production line, its second, began operation in March, 1970, completing the largest expansion program in the company's history. Conversion of the new polished plate glass manufacturing plant to a continuous line operation was completed in July, 1969, boosting that facility's annual capacity substantially.

The outlook for the coming year is encouraging, primarily because of the additional production capacity RGC now has.

THAI-AMERICAN STEEL WORKS

Thai-American Steel Works Company, Ltd., in which Castle & Cooke has a 55% interest, reported another increase in sales and earnings in 1969-70. The company, based in Bangkok, manufactures welded steel pipe and steel furniture tubing.

SERVICE OPERATIONS

TRANSPORTATION

Castle & Cooke Terminals, Inc., again reported a modest profit. Revenues from its three largest customers fell below estimates because of reductions in their services in and out of the Port of Honolulu. The Terminals, however, was awarded the Honolulu stevedoring contract for Seatrain Lines' new cargo service between the Pacific Coast and Hawaii, an account that is expected to grow in the future.

Kawaihae Terminals, in which Castle & Cooke has a 55% interest, reported a satisfactory year.

Of Castle & Cooke's two trucking subsidiaries on Oahu, Oahu Transport Company reported a good increase in its earnings, while Hawaiian Hauling Service, Inc., operated on a break-even basis.

COMPUTER SERVICES

In late March, 1970, Castle & Cooke acquired the assets of a mainland computer software time-sharing service, which will now be known as C&C Computer Systems, Inc. Headquartered in Portland, Ore., the company has offices in Seattle, Boise, Denver, Medford, San Francisco, Los Angeles and San Diego. It will offer a wide variety of computer services, including proprietary systems, in the fields of business, science and education.

In Hawaii, the Computer Information Services division has been concentrating on data processing activities within Castle & Cooke, but is now beginning to take on outside service accounts.

PLAN

The PLAN division, which provides international agribusiness management and consulting services, made substantial progress. In Thailand, it will undertake a five-year management contract to develop a pineapple plantation and cannery for Island Canning Co. (Thailand) Ltd. In the Trust Territory islands, the Congress of Micronesia has requested PLAN to study transportation problems within the islands.

During the year, PLAN was special consultant to three major steamship lines for marketing and cargo operations, to two U.S. terminal companies on facilities and cargo handling, and to the Government of Guam on the development of a new port. It also completed a study for the Trust Territories government on reduction of ocean freight rates and restructuring of transportation management functions.

Edmund Jensen was elected president.

NOT CONSOLIDATED

MALAYSIA-SINGAPORE

Malaysian Rock Products, 73% owned, continued to operate at a loss, although losses were considerably reduced by termination of the ready-mix concrete operation in Kuala Lumpur. Singapore Rock Products, a related ready-mix concrete company in which Castle & Cooke has an 88% interest, is exploring expansion opportunities in the Singapore area.

CASTLE & COOKE EAST ASIA, LTD.

Based in Tokyo, this subsidiary performs a number of valuable services in the Orient for various Castle & Cooke units. It has acted as liaison with two joint venture companies between Dole and Japanese interests on development of food products and bromelain-containing pharmaceuticals for the Japanese market. Other investment opportunities are being investigated in Japan, Taiwan and Korea.

* * *

Revenues and Earnings

Consolidated revenues increased 12% to $503,000,000. This was another new high for the company and compares with $449,903,000 for fiscal 1968-69.

Consolidated income before extraordinary items also was the highest in the company's history at $20,368,000. This was a 35% increase over the previous year's $15,034,000. These results were equal to $1.96 per common share, compared with $1.49 the previous year.

However, net income for the year was reduced to $17,625,000 ($1.70 a share) because of extraordinary losses totaling $2,743,000 (26c per share). This contrasts with fiscal 1969 when net income of $18,567,000 ($1.84 a share) included extraordinary gains totaling $3,533,000 (35c per share). These losses and gains are explained under "Extraordinary Items."

Assuming full dilution through conversion of all of the company's outstanding 5⅜% convertible subordinated debentures, net income per common share would be reduced by 6c for fiscal 1969-70 and by 1c for fiscal 1969. This computation assumes that net income would be increased by the interest on the debentures, less applicable income taxes. The debentures were issued in March, 1969.

Income per share for both years is based on the average number of shares outstanding throughout each year, adjusted for poolings of interests. There was an average of 10,381,867 shares outstanding this past year and 10,097,350 shares in the previous year.

Contributions by the major activities of the company to consolidated revenues and to income before taxes and unallocated expenses are shown in the table below.

Extraordinary Items

The extraordinary loss of $2,743,000 included in consolidated net income for the year came from three sources: (1) the effect on the Dole division of the U.S. government's restrictions on the use of cyclamates ($373,000 after taxes of $431,000), (2) the effect on investments in certain of the company's Philippine subsidiaries from devaluation of the Philippine peso ($1,301,000), and (3) a loss from the sale of the principal operating assets of Ewa Sugar Co., Inc. ($1,069,000 after taxes of $695,000).

The federal government's cyclamate restrictions, first announced on October 18, 1969 but later relaxed somewhat, nevertheless resulted in adverse publicity that has had a major impact on the marketing of Dole's line of cyclamated food products. The loss represents a write-off of Dole's inventory of cyclamated products expected to be unmarketable.

On February 21 of this year, the Philippine government allowed the exchange rate of its peso to find its own level. Financial statements of the company's Philippine subsidiaries included in the Castle & Cooke consolidation have been translated, where applicable, at the average exchange rate for the period from February 22 to March 31, 1970 of 6 to 1, a decline from the previous rate of 3.9 to 1. This resulted in the loss shown above.

The sale of the Ewa Sugar operations involves receipt of $5 million over a three-year period, plus other considerations. Despite the loss from the sale, the cash flow resulting from the transaction will be materially better than that reasonably expected from Ewa's continued operations through December 31, 1978, the date of expiration of its lease with Campbell Estate on substantially all of Ewa's acreage. The sale, completed on April 17 of this year, was effective as of February 1.

The extraordinary gain of $3,533,000 for fiscal 1969 came principally from the sale of the company's investment in Great American Holding Corp.

Principles of Consolidation

The consolidated financial statements in this report include the accounts of the company and all except several small subsidiaries. Inter-company accounts and transactions of material amounts have been eliminated. The accounts of foreign subsidiaries are maintained in U.S. currency or are translated at appropriate rates of

	Revenues				Income Before Income Taxes and Unallocated Expenses			
	Fiscal 1970		Fiscal 1969		Fiscal 1970		Fiscal 1969	
	Amount in Thousands	% of Total	Amount in Thousands	% of Total	Amount in Thousands	% of Total	Amount in Thousands	% of Total
Food products	$373,380	71%	$345,273	74%	$31,165	73%	$26,005	78%
Merchandising	65,279	13	62,546	13	2,398	6	1,306	4
Land development	44,404	8	28,015	6	1,289	3	1,939	6
Service operations	23,423	4	19,829	4	2,400	6	1,279	4
Manufacturing	13,481	3	10,509	2	2,852	6	2,220	7
Other	4,215	1	2,757	1	2,867	6	567	1
Total	524,182	100%	468,929	100%	42,971	100%	33,316	100%
Less inter-company sales	21,182		19,026		—		—	
Less unallocated expenses:								
Corporate	—		—		4,463		3,843	
Interest	—		—		1,221		1,922	
	$503,000		$449,903		$37,287		$27,551	

exchange. Total assets in foreign countries at March 31, 1970 were $144,673,000, including $43,041,000 of current assets. This compares with $123,408,000, including current assets of $37,197,000, a year earlier.

The financial statements for fiscal 1969 have been restated for a pooling of interests (see "Acquisitions").

Acquisitions

On May 9, 1969, a 64% interest in Surinam American Industries, Ltd. (SAIL) and 100% interest in its related companies were acquired by the Bumble Bee Seafoods division for $3,368,000. Since then, Bumble Bee increased its ownership of SAIL to 77% at an additional cost of $625,000. The operations of SAIL from the date of original purchase to its fiscal year end on February 28, 1970 have been included in the accompanying financial statements. The acquisition agreement provides for future increases in ownership of SAIL. Full ownership would put the total acquisition cost at approximately $5 million.

On June 30, 1969, the company completed the acquisition of the beneficial interests in the Mendonca Estate (referred to in the fiscal 1969 annual report) in exchange for 168,000 shares of Castle & Cooke common stock. The estate's major assets are approximately 2,500 acres of sugar cane and pasture lands on the island of Oahu.

On July 1, 1969, the company acquired Arneson Products, Inc., San Rafael, Calif., in exchange for 135,136 shares of C&C common stock. Up to 135,136 additional C&C shares may be issued over a five-year period, depending on the earnings performance of Arneson Products. The acquisition has been accounted for as a pooling of interests.

On January 9, 1970, an agreement in principle was announced in which Dole would acquire, for cash and notes, the assets of the Hawaii pineapple operations of Libby, McNeill & Libby. Consummation of the transaction is awaiting clearance from U.S. government agencies. Meanwhile, Dole is operating Libby's Hawaii facilities under an interim arrangement and is supplying Libby with part of its pineapple requirements.

During the year, C&C purchased ERDESA, a southern California-based construction firm involved in building government-sponsored, low-cost housing in Chile. It also purchased the operating assets of a small Portland, Ore., firm engaged in computer time-sharing and other computer "software" activities, which now operate as C&C Computer Systems, Inc.

Also during the year, the contingent obligation to issue up to 125,000 additional shares of C&C common stock over a five-year period, related to the acquisition of the Barclay Hollander Curci operations (referred to in the fiscal 1969 annual report), was settled by issuance of 23,000 C&C common shares to the former stockholders of B-H-C.

In addition, Castle & Cooke concluded a settlement for cash and stock with a group of former Standard Fruit & Steamship Co. stockholders who had filed objections to the December 23, 1968 statutory merger whereby Standard became a wholly-owned C&C subsidiary.

Dividends

Cash dividends of $6,254,000, or 60c per common share, were declared during fiscal 1970. This compares with $5,455,000, or 57½c a share, declared during the previous year.

Stockholders' Equity

Stockholders' equity increased to $189,214,000, equal to $18.23 per common share, at year end. This compares with $174,363,000, or $17.27 a share, a year earlier (restated for the Arneson Products pooling of interests). Acquisitions, exercise of stock options and other actions involving Castle & Cooke common stock during the year increased the company's outstanding shares to 10,482,197 at year end, compared with 10,052,777 previously reported at March 31, 1969.

Authorized capital consists of 1,000,000 shares of no par value preferred stock, none of which has been issued, and 25,000,000 shares of $10 par value common stock.

Changes in common stock are shown below.

	Issued		In Treasury	
	Shares	Amount	Shares	Amount
At beginning of year, as previously reported	10,147,144	$101,471,000	94,367	$3,002,000
Shares issued in the Arneson Products acquisition	135,136	1,352,000	—	—
At beginning of year, as restated for pooling	10,282,280	102,823,000	94,367	3,002,000
Stock options exercised	174,520	1,745,000	—	—
Restricted stock issued to employes	—	—	(22,000)	(807,000)
Treasury shares purchased	—	—	117,308	3,674,000
Additional shares issued for B-H-C acquisition	23,000	230,000	—	—
Shares issued for Mendonca Estate acquisition	168,000	1,680,000	—	—
Shares issued for ERDESA acquisition	—	—	(6,057)	(176,000)
Shares issued to former Standard Fruit stockholders	18,015	180,000	—	—
At end of year	10,665,815	$106,658,000	183,618	$5,693,000

Common stock reserved at March 31, 1970 for the convertible debentures, stock options and contingent payouts amounted to 1,370,807 shares.

Changes in capital in excess of par value during the year were:

Balance at beginning of year, as originally reported	$7,954,000
Restatement for pooling of interests	(1,251,000)
Balance at beginning of year, restated	6,703,000
Excess of market value over par value of shares issued in purchase of Mendonca Estate	2,520,000
Excess of cost over market value of treasury shares issued to employes as restricted stock	(232,000)
Excess of option price over par value of shares issued under stock option plans	98,000
Other	(50,000)
Balance at end of year	$9,039,000

Financing

Consolidated long-term debt at year end, less current maturities, consisted of the following:

5⅜% Convertible Subordinated Debentures	$ 30,000,000
Unsecured notes:	
6%, maturing serially to 1974	16,239,000
Other, mostly 5% - 12 7/16%, maturing serially to 1976	31,752,000
Real estate notes payable, mostly 6% - 10%—secured by land, residential projects, notes, or contracts receivable	12,109,000
Installment contracts, mostly 5% - 9%—certain land, buildings and equipment pledged as collateral	26,302,000
Total	$116,402,000

The debentures are convertible at any time into common stock at a rate of one share for each $38.50 of principal amount of debenture. Full conversion would require 779,221 shares. Annual sinking fund payments of 5% of the principal amount outstanding at March 1, 1979 will begin one year later and continue to maturity in 1994.

Payments on long-term debt other than real estate notes payable are due in the following amounts during the years ending March 31, 1971, $13,572,000; 1972, $19,779,000; 1973, $15,285,000; 1974, $8,642,000; and 1975, $13,558,000.

Real estate notes payable are to be paid as the residences are sold or as related sales contracts are collected. These notes include $13,010,000 borrowed from Aetna Life Insurance Co. for development of Mililani Town on the island of Oahu. Terms of the Aetna contract provide for a revolving loan permitting an aggregate of $14,000,000 to be outstanding at any one time throughout the life of this development.

Terms of the debentures, terms of loans from various banks and insurance companies, and certain foreign government requirements place various limitations on working capital, current ratios, debt ratios and payment of cash dividends. Under the most restrictive of these provisions, approximately $26,700,000 of consolidated retained earnings at March 31, 1970 were available for cash dividends.

Working Capital

Working capital at year end was $74,988,000, compared with $67,406,000 a year earlier. The ratio of current assets to current liabilities was 1.7-to-1, compared with 1.6-to-1 the year before.

Details of the changes in working capital during the year were:

Increases (decreases) in current assets:	
Cash	$ 2,928,000
Time deposits and marketable securities	(2,035,000)
Accounts receivable	7,847,000
Inventories	3,677,000
Prepaid expenses	(326,000)
	12,091,000
Less increases (decreases) in current liabilities:	
Notes payable	7,255,000
Accounts payable	3,052,000
Dividends payable	119,000
Income taxes payable	(5,917,000)
	4,509,000
Increase in working capital, as shown on the statement of consolidated source and application of funds	$ 7,582,000

Commitments and Contingent Liabilities

Costs of ship charters of six years' duration or less and lease agreements expiring generally within the next 25 years will be at least $14,778,000 for the fiscal year ending March 31, 1971.

In addition, Castle & Cooke and its consolidated subsidiaries have qualified retirement plans covering most full-time employes. Certain of these plans provide fixed benefits; the rest provide a combination of fixed and variable benefits. A few of the plans are employe contributory; most are not. The total pension expense applicable to these plans for fiscal 1970 was $3,398,000. For some of the plans, the expense includes interest on the unfunded prior service costs. For other plans, the expense includes 15-year amortization of these costs. Amendments to certain of the plans, plus changes in actuarial assumptions and accounting methods, contributed to an increase of $1,363,000 in total pension costs over fiscal 1969.

These retirement plans are funded through both fixed and equity investments, using the facilities of major life insurance companies and qualified employe benefit

trusts. The value of the pension funds and balance sheet accruals at March 31, 1970 was greater than the value of vested benefits for all plans.

Also at year end, the company and several of its subsidiaries were contingently liable for $4,010,000 for notes discounted and mortgage loans endorsed, and $12,324,000 for guarantees of associated companies' indebtedness.

In 1969, a petition was filed with the Philippine Supreme Court by a third party seeking the annulment of the grower agreement with the National Development Co., a corporation controlled by the government of the Philippines, under which Dole Philippines, Inc. operates the pineapple plantation in Mindanao. Answers to the petition have been filed by Dolefil and on behalf of the Philippine government agencies involved, asserting that the agreement is valid and legal and asking that the petition be dismissed. Hearings have been held before the Supreme Court and the case has been submitted for decision. In the opinion of counsel for Dolefil, the petition does not have sufficient legal basis and the same will be eventually dismissed by the Supreme Court.

Another legal action claims damages in connection with a joint tender offer by Standard Fruit & Steamship Co. and Castle & Cooke in August, 1965 to acquire additional shares of Standard. The alleged damages are claimed on grounds that information supplied with the tender offer was insufficient to provide a proper picture of Standard's favorable future earnings prospects. The case has been declared to be a class action by the court and has been set for trial commencing June 11, 1970 in U.S. District Court in New Orleans.

Deferred Charges

Deferred charges at year end include $17,548,000 of development costs and expenses in excess of revenues of two Philippine subsidiaries. For Dole Philippines, Inc. $828,000 is the annual amortization until 1988. For Standard (Philippines) Fruit Corp., amortization is now scheduled to begin in fiscal 1970-71.

Inventories

Inventories at year end consisted of the following:

Merchandise purchased, at the lower of cost or market:	
Principally first-in, first-out	$ 6,822,000
Retail inventory method	8,202,000
Finished products and raw materials:	
Generally at the lower of average cost or market	40,861,000
At static unit values (substantially less than cost)	4,973,000
Residential projects completed or under construction, at the lower of cost or market	12,187,000
Operating supplies, generally at the lower of average cost or market	37,577,000
Total	$110,622,000

Growing Crops

Growing crops consist of pineapple and sugar crops in Hawaii stated at static values, which are substantially less than current costs. The costs of growing these and all other crops are charged to operations as incurred, except for pre-production costs for new banana plantings, which are capitalized.

Property and Depreciation

Major classes of property, other than land, at year end were:

Real estate improvements	$ 26,289,000
Buildings	63,294,000
Machinery and equipment	143,669,000
Water, power and sewer systems	13,458,000
Improvements in progress	12,803,000
Total	$259,513,000

A summary of additions to property and depreciation for the past two fiscal years shows:

	Additions	Depreciation
Fiscal 1969	$22,720,000	$10,911,000
Fiscal 1970	27,030,000	11,726,000

Depreciation and amortization are generally computed by use of the straight-line method. However, for property acquired by the company and its then-existing subsidiaries between January 1, 1954 and April 30, 1963, the sum-of-the-years-digits method generally is used.

Income Taxes

Income tax expense is less than amounts computed using U.S. statutory rates applicable to ordinary income, principally as a result of lower tax rates applicable to certain foreign income and to capital gains.

Deferred income taxes result from: (1) the use of different methods of computing depreciation for tax purposes; (2) the use, for tax purposes, of the installment method of accounting for certain deferred-payment sales; and (3) the differences between book and tax expenses for pension and management incentive plans, the development costs of certain computer programs, the carrying charges of real estate projects, and the pre-production costs for new banana plantings.

Stock Options

The company has stock option plans under which options to purchase its common shares may be granted to officers and other key employes. With one minor exception, the plans' option periods run for five years, and the option prices are the market prices on the dates of grant. The options generally become exercisable cumulatively in equal amounts on each anniversary of the grant.

Stock option transactions during fiscal 1970 were:

	Options Outstanding			
	Shares	Average Per Share	Total	Shares Available For Option
Balance, April 1, 1969 . . .	529,391	$17.72	$9,380,000	95,564
Options granted . .	10,750	32.36	348,000	(10,750)
Options exercised	(174,520)	10.57	(1,844,000)	—
Options cancelled	(9,674)	29.52	(286,000)	8,050
Balance, March 31, 1970 . .	355,947	$21.34	$7,598,000	92,864

AUDITORS' REPORT

To the Stockholders
of Castle & Cooke, Inc.:

We have examined the statement of consolidated financial condition of Castle & Cooke, Inc. and its consolidated subsidiaries as of March 31, 1970 and the related statements of consolidated income and retained earnings and of consolidated source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Standard Fruit and Steamship Company and its subsidiaries and Barclay Hollander Curci, Inc. and its subsidiaries, whose assets, revenues, and net income included in consolidation represent substantial portions of the respective consolidated amounts, but we were furnished with the reports of other independent accountants on their examinations of the financial statements of those companies.

In our opinion, based on our examination and the reports of other independent accountants referred to above, the accompanying statements of consolidated financial condition, consolidated income and retained earnings, and consolidated source and application of funds present fairly the financial position of Castle & Cooke, Inc. and its consolidated subsidiaries at March 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS
Certified Public Accountants

Honolulu, Hawaii
April 27, 1970

STATEMENT OF CONSOLIDATED FINANCIAL CONDITION

	March 31, 1970	March 31, 1969
CURRENT ASSETS:		
Cash	$ 16,598,000	$ 13,670,000
Time deposits and marketable securities—at cost, which approximates market	257,000	2,292,000
Accounts receivable, less allowances for doubtful accounts — 1970, $892,000; 1969, $643,000	55,435,000	47,588,000
Inventories	110,622,000	106,945,000
Prepaid expenses	5,865,000	6,191,000
Total current assets	188,777,000	176,686,000
DEDUCT CURRENT LIABILITIES:		
Notes payable, including current installments on long-term debt	65,770,000	58,515,000
Accounts payable	41,950,000	38,898,000
Dividends payable	1,572,000	1,453,000
Income taxes payable, less foreign government securities — 1970, $1,275,000; 1969, $1,250,000	4,497,000	10,414,000
Total current liabilities	113,789,000	109,280,000
WORKING CAPITAL	74,988,000	67,406,000
GROWING CROPS — At static values	4,050,000	5,300,000
REAL ESTATE PROJECTS	29,517,000	31,282,000
INVESTMENTS:		
Capital stock of sugar marketing cooperative — at cost	1,392,000	2,392,000
Subsidiaries not consolidated:		
Domestic — at equity	1,004,000	2,931,000
Foreign — at cost, less reserves — 1970, $1,300,000; 1969, $1,300,000	454,000	315,000
Other investments — at cost	7,604,000	6,191,000
LAND — At cost	27,490,000	24,049,000
BUILDINGS, MACHINERY AND EQUIPMENT — At cost, less accumulated depreciation — 1970, $127,991,000; 1969, $130,481,000	131,522,000	123,579,000
NON-CURRENT RECEIVABLES — Less allowances for doubtful accounts — 1970, $292,000; 1969, $253,000	26,963,000	18,371,000
DEFERRED CHARGES AND OTHER ASSETS	28,589,000	25,767,000
Total assets less current liabilities	333,573,000	307,583,000
DEDUCT:		
Long-term debt	116,402,000	111,517,000
Deferred income taxes	8,741,000	5,783,000
Deferred income and other credits	4,708,000	3,093,000
Minority interests	14,508,000	12,827,000
Total	144,359,000	133,220,000
NET ASSETS, REPRESENTING STOCKHOLDERS' EQUITY	$189,214,000	$174,363,000
STOCKHOLDERS' EQUITY:		
Capital stock	$106,658,000	$102,823,000
Capital in excess of par value	9,039,000	6,703,000
Capital from acquisition of subsidiaries' stock	16,969,000	16,969,000
Retained earnings	62,241,000	50,870,000
	194,907,000	177,365,000
Less cost of treasury stock	5,693,000	3,002,000
STOCKHOLDERS' EQUITY	$189,214,000	$174,363,000

The Financial Review on pages 35 to 39 should be read in conjunction with this statement.

STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS

Year Ended March 31	1970	1969
REVENUES:		
Food products	$358,320,000	$330,061,000
Merchandising	65,053,000	62,380,000
Land development and real estate operations	43,069,000	26,791,000
Service operations, including rentals	17,050,000	15,553,000
Manufacturing	13,458,000	10,491,000
Dividends, interest and other revenues	4,002,000	3,294,000
Gain on sales of capital assets	2,048,000	1,333,000
Total	503,000,000	449,903,000
COSTS AND EXPENSES:		
Cost of products and merchandise sold (except depreciation)	346,920,000	313,160,000
Selling, service, general and administrative expenses	95,517,000	89,170,000
Depreciation	11,726,000	10,911,000
Interest	11,550,000	9,111,000
Total	465,713,000	422,352,000
INCOME BEFORE INCOME TAXES	37,287,000	27,551,000
INCOME TAXES:		
Current	12,349,000	10,265,000
Deferred	2,278,000	855,000
Total	14,627,000	11,120,000
INCOME BEFORE MINORITY INTERESTS	22,660,000	16,431,000
MINORITY INTERESTS	2,292,000	1,397,000
INCOME BEFORE EXTRAORDINARY ITEMS	20,368,000	15,034,000
EXTRAORDINARY ITEMS — Net	(2,743,000)	3,533,000
NET INCOME	17,625,000	18,567,000
RETAINED EARNINGS, BEGINNING OF PERIOD — Originally reported	50,473,000	84,636,000
Restatement for poolings of interests	397,000	541,000
RETAINED EARNINGS, BEGINNING OF PERIOD — Restated	50,870,000	85,177,000
	68,495,000	103,744,000
DEDUCT:		
Cash dividends:		
Castle & Cooke, Inc.	6,254,000	5,455,000
Pooled companies prior to acquisition	—	263,000
Transfer to capital stock to effect two-for-one split	—	47,156,000
RETAINED EARNINGS, END OF PERIOD	$ 62,241,000	$ 50,870,000
EARNINGS PER COMMON SHARE:		
Income before extraordinary items	$ 1.96	$ 1.49
Extraordinary items	(.26)	.35
Net income	$ 1.70	$ 1.84
EARNINGS PER COMMON SHARE, ASSUMING FULL DILUTION:		
Income before extraordinary items	$ 1.89	$ 1.48
Extraordinary items	(.25)	.35
Net income	$ 1.64	$ 1.83
CASH DIVIDENDS PER COMMON SHARE	$ .60	$ .57½

The Financial Review on pages 35 to 39 should be read in conjunction with this statement.

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

Year Ended March 31	1970	1969*
SOURCE OF FUNDS:		
Net income	$17,625,000	$18,567,000
Income applicable to minority interests	1,862,000	1,397,000
Depreciation	11,726,000	10,911,000
Deferred income taxes	2,958,000	394,000
Funds provided from operations	34,171,000	31,269,000
Increase in long-term debt	4,885,000	16,275,000
Sale of capital stock under stock option plans	1,845,000	1,553,000
Total	$40,901,000	$49,097,000

**Adjusted for a pooling of interests.*

NINE YEAR FINANCIAL HISTORY*

	1970	1969	1968
OPERATIONS FOR THE PERIOD (1):			
Total revenues	$503,000,000	$449,903,000	$365,462,000
Income before extraordinary items	20,368,000	15,034,000	12,549,000
Return on average equity	11.20%	9.02%	8.16%
Extraordinary items — net	(2,743,000)	3,533,000	—
Net income	17,625,000	18,567,000	12,549,000
Earnings per common share (1):			
Income before extraordinary items	1.96	1.49	1.26
Extraordinary items	(.26)	.35	—
Net income	1.70	1.84	1.26
Earnings per common share - assuming full dilution (1):			
Income before extraordinary items	1.89	1.48	—
Extraordinary items	(.25)	.35	—
Net income	1.64	1.83	—
Dividends declared to Castle & Cooke stockholders:			
Cash dividends	6,254,000	5,455,000	4,317,000
Per share (1)	.60	.57½	.50
Stock dividends	—	100%	—
Depreciation expense	11,726,000	10,911,000	8,389,000
Capital expenditures	27,030,000	22,720,000	18,400,000
Average number of shares of common stock outstanding	10,381,867	10,097,350	9,947,442
AT YEAR END:			
Current assets	188,777,000	176,686,000	152,867,000
Current liabilities	113,789,000	109,280,000	78,705,000
Working capital	74,988,000	67,406,000	74,162,000
Current ratio	1.66 to 1	1.62 to 1	1.94 to 1
Long-term debt	116,402,000	111,517,000	95,242,000
Minority interests	14,508,000	12,827,000	11,381,000
Stockholders' equity	189,214,000	174,363,000	159,043,000
Per share (1):	18.23	17.27	15.99

**1970 and 1969 represent 12 month periods ended March 31.*
The year 1968 is for the 11 month period ended March 31.
The years 1967 and earlier represent 12 month periods ended April 30.

NOTES

(1) Where applicable and material, data for all prior periods have been restated to give effect to poolings of interests, stock dividends and stock split-ups in the form of dividends.

(2) Includes $2,511,000 declared prior to April 30, 1961, paid in 1961-62.

Year Ended March 31	1970	1969*
APPLICATION OF FUNDS:		
Additions to property, less disposals — 1970, $7,309,000; 1969, $2,572,000 (including property of companies consolidated for the first time — 1970, $3,389,000; 1969, $1,315,000)	$23,110,000	$21,463,000
Cash dividends	6,613,000	6,059,000
Increase (decrease) in real estate projects	(1,765,000)	22,877,000
Purchase of treasury stock	3,674,000	3,256,000
Purchase of capital stock of consolidated subsidiaries	4,147,000	400,000
Deferred costs and expenses of Philippine subsidiary in development stage	1,963,000	776,000
Net changes in other assets and deferred credits	(4,423,000)	1,022,000
Increase (decrease) in working capital	7,582,000	(6,756,000)
Total	$40,901,000	$49,097,000

**Adjusted for a pooling of interests.*

1967	1966	1965	1964	1963	1962
$343,309,000	$331,109,000	$262,273,000	$206,636,000	$183,297,000	$171,150,000
9,774,000	11,838,000	9,355,000	9,015,000	3,500,000	5,062,000
6.74%	8.63%	7.57%	8.02%	3.19%	4.61%
1,434,000	—	9,235,000	—	—	16,486,000
11,208,000	11,838,000	18,590,000	9,015,000	3,500,000	21,548,000
.99	1.21	.98	.97	.38	.54
.15	—	.97	—	—	1.76
1.14	1.21	1.95	.97	.38	2.30
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
3,987,000	3,656,000	3,476,000	3,465,000	2,776,000	3,538,000(2)
.48	.45	.43	.43	.35	.44
5%	50%	10%	—	—	—
8,173,000	7,929,000	6,563,000	5,057,000	5,077,000	4,770,000
20,124,000	20,960,000	6,744,000	9,675,000	6,022,000	5,977,000
9,828,135	9,757,108	9,525,098	9,274,699	9,300,282	9,368,191
136,027,000	122,684,000	119,040,000	73,689,000	73,772,000	76,702,000
73,668,000	69,552,000	54,500,000	27,157,000	26,247,000	23,230,000
62,359,000	53,132,000	64,540,000	46,532,000	47,525,000	53,472,000
1.85 to 1	1.76 to 1	2.18 to 1	2.71 to 1	2.81 to 1	3.30 to 1
58,194,000	32,351,000	25,177,000	10,370,000	9,532,000	10,446,000
16,818,000	18,157,000	27,584,000	2,060,000	2,777,000	5,187,000
148,565,000	141,621,000	132,787,000	115,127,000	109,721,000	109,863,000
15.12	14.51	13.94	12.41	11.80	11.73

DIRECTORS

Ernest C. Arbuckle, *Chairman of the Board, Wells Fargo Bank N.A.*
A. S. Atherton, President, *Honolulu Star-Bulletin, Inc.*
A. G. Budge, *Chairman of the Board*
W. M. Bush, *Retired Executive Vice President*
James J. Finch, *Executive Vice President, Newhall Land and Farming Company*
Malcolm MacNaughton, *President and Chief Executive Officer*
John H. Magoon Jr., *President, Hawaiian Airlines, Inc.*
John H. Midkiff, *Retired Manager, Waialua Sugar Co., Inc.*
George G. Montgomery, *Retired Chairman of the Board, Kern County Land Company*
J. S. B. Pratt III, *President, Hawaiian Trust Company, Limited*
Thomas F. Sandoz, *Chairman of the Executive Committee, Bumble Bee Seafoods*
Albert D. Schwaner, *Retired Executive, Dole Company*
Richard H. Wheeler, *President, Andrade & Company, Limited*

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Malcolm MacNaughton, *President and Chief Executive Officer*
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John F. Murphy, *Senior Vice President*
Stanley Rosch, *Senior Vice President & Controller*
S. P. McCurdy, *Vice President & Secretary*
David W. Eyre, *Vice President*
Mitsuyoshi Fukuda, *Vice President*
Robert S. Gordon, *Vice President*
Richard M. Macfarlane, *Vice President*
John H. Scott, *Vice President*
Randolph G. Moore, *Assistant Vice President*
William B. Jamieson, *Assistant Controller*
Thomas J. Bailey, *Assistant Treasurer*
George C. Shervey, *Assistant Treasurer*
Allen V. Cellars, *Assistant Secretary*
James R. Farley, *Assistant Secretary*
Kevin D. McCready, *Assistant Secretary*
*H. M. Richards, *Assistant Secretary*
Jess H. Walters, *Assistant Secretary*

**Deceased March 7, 1970*

AUDITORS

Haskins & Sells, *Honolulu*

STOCK TRANSFER AGENTS

Hawaiian Trust Company, Limited, *Honolulu*
Wells Fargo Bank N.A., *San Francisco*
Morgan Guaranty Trust Company, *New York*

REGISTRARS

Bishop Trust Company, Limited, *Honolulu*
Bank of America, N.T. & S.A., *San Francisco*
Bankers Trust Company, *New York*

DEBENTURE TRUSTEE

Bankers Trust Company, *New York*

CABANA BANANAS

BUMBLE BEE SEAFOODS

DOLE PINEAPPLE

ROYAL HAWAIIAN
MACADAMIA NUTS

SUGAR

OCEANIC PROPERTIES

AMES MERCANTILE

Castle & Cooke, Inc.